

## **Assessing payment adequacy and updating payments for outpatient dialysis services**

**ISSUE:** Are Medicare's payments for all services provided by outpatient dialysis facilities adequate? How should payments be changed in 2006?

**KEY POINTS:** We examine information about the adequacy of current aggregate outpatient dialysis payments. We assess payment adequacy by considering dialysis services and separately billable medications because both are important sources of payments and costs for dialysis providers. Information about market factors show that:

- Providers' capacity to furnish dialysis services has steadily increased between 1993-2003.
- The use of separately billable drugs administered during dialysis has increased throughout the 1990s and payments for these services represented about 41 percent of Medicare's total payments to dialysis facilities in 2003.
- Beneficiaries appear to be obtaining access to needed dialysis services. Quality of dialysis care, as measured by dialysis adequacy and patients' anemia status, continues to improve.

The attached briefing material also discuss changes to the outpatient dialysis payment system mandated by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

**ACTION:** Commissioners should discuss the findings presented in the attached briefing materials. Specifically, Commissioners should discuss whether: 1) current aggregate payments are adequate, and 2) how the composite rate should be updated for 2006. The Commission's recommendation for dialysis services will be included in the March 2005 report.

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